

**Private Adjustments:
Household Responses to the Erosion of Work**

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Table of contents

1. Introduction	3
2. Household resources and opportunity structures	4
3. Coping strategies and social reproduction	9
3.1 Household work strategies	12
• Mobilization of additional household members.....	12
• Family-based work for cash	13
• Intensification of work	14
• Women’s contributions to the household economy	15
• Children’s labor.....	16
3.2 Expenditure-minimizing and other restrictive practices	17
• Cutting food consumption.....	18
• Changing dietary habits.....	18
• Reducing health and education expenses	20
• Cutting non-essential expenditures	21
• Drawing from savings and borrowing.....	22
• Pawning and selling valuables	23
• Home-based subsistence activities	23
• Marginal and illegal activities	24
4. Household determinants of vulnerability	25
4.1 Household size and composition.....	26
4.2 Sex of the household head.....	27
4.3 The importance of the domestic cycle.....	29
4.4 Gender relations and household differentiation	30
5. The limits of coping: Reciprocity networks in crisis?	32
6. Conclusions	36

1. Introduction

Changes in the labor market and state withdrawal from the financing and provision of social benefits and services have had a major impact on the way households organize their labor, time and other resources. To cope with these changes, households have mobilized a multiplicity of resources, among which labor plays a critical role. When options are available, labor becomes an asset that improves household capabilities. However, households' capacity to convert resources into assets has been declining as a result of changes in the labor market, which have led to the erosion of work and a growth of informality in many countries. Households have been forced to adapt in the face of growing vulnerability. They have deployed a number of coping strategies to protect and, if possible, increase their consumption. To varying degrees, they have included a mix of income-earning, income-stretching and expenditure-minimizing strategies, ranging from the mobilization of additional household labor to intensification of work, movement to own production, changes in consumption patterns and increased reliance on kin and community networks based on principles of reciprocity and mutual support.

The capacity of households to adapt to change and ward off vulnerability is influenced by a number of household factors, which in turn are affected by gender issues. In fact, household-focused research has made crucial contributions to our understanding of the ways in which the urban and rural poor survive. Due to differences in size, composition, stage in the domestic cycle and other factors, households are equipped differently to cope with deteriorating conditions and crises. Nevertheless, regardless of whether they are adapting successfully or not, there are increasing signs that the pressures faced by households in a context of shrinking opportunities are not sustainable over the long run. Many short-term coping strategies are proving insufficient to offset the consequences of economic change and may even undermine households' ability to recover and move permanently from vulnerability to self-sufficiency. There are also increasing signs of breakdown of family and community support systems, social isolation, alcoholism and drug abuse, which should pose serious concerns to policy-makers.

This paper is based on a review of the findings from a sample of country studies financed by UNDP from 1997 to 1999¹. It adopts the 'asset-vulnerability' approach developed by Caroline Moser (1996) as its main analytical framework. The task of drawing lessons from the studies was fraught with methodological problems. First, the review covers a highly heterogeneous group of countries, ranging from small island economies to the fourth most highly populated nation, and from some of the least developed countries in the world to some middle-income and transition economies. Second, few of the reports offer the kind of rich material that comes from qualitative and ethnographic research which allows for a detailed exploration of the coping strategies and livelihoods of the

¹ The review comprises 22 reports from 15 countries (Angola, Bulgaria, Grenada, Indonesia, Latvia, Lebanon, Maldives, Mongolia, Palestinian Occupied Territories, Papua New Guinea, South Africa, South Korea, Sudan, Uganda and Uruguay). The studies were financed by a programme called Poverty Strategies Initiative, which was launched by the UNDP in 1996 to support the implementation of the commitments to analyze and formulate policies for the reduction of poverty, made at the 1995 World Summit for Social Development (Copenhagen, Denmark).

poor. The analytical approach, quality of the data, methodologies used and time-period covered differ across studies, and are not strictly comparable. Notwithstanding these limitations, the analysis contained in the reports contains a wealth of information and data to assess changes in household responses to economic and social transformation.

The paper is organized in five sections. Section two argues that wage income constitutes a major ingredient in poor people's livelihoods and presents evidence of a growing deterioration of wages and work conditions that is having a great impact on their livelihood opportunities. The following section analyzes a range of domestic responses implemented by poor households, who have been forced to undergo private adjustments in order to cope with declining opportunities in labor markets. Section four discusses a number of household factors that impinge upon their capacity to respond effectively to the changes described in previous sections. It also analyzes the differential impact of change on individual household members, showing that shrinking opportunities do not have a homogeneous impact at the household level but rather implies unequal costs and burdens. The final section highlights the importance of social exchange and reciprocity networks for people's survival, but also calls the reader's attention to the fact that such networks are crumbling under the pressure of poverty, leading to growing social isolation and exclusion. The major arguments presented in the paper are then recapitulated in the concluding section.

2. Household resources and opportunity structures

Poor individuals, households and communities have responded to economic change with innovative strategies and resourcefulness. Their survival is mostly supported by 'private' initiatives, implemented at the household and community levels, sometimes with support from non-governmental organizations. Livelihoods are sustained by a multiplicity of sources, including wage employment, production for sale, subsistence production, domestic work, claims and entitlements, and support from networks of relatives and friends. Among the resources that enable people to cope with poverty, labor plays a critical role².

Work needs to be considered in all its forms, including formal wage employment, informal work for cash, unpaid labor and subsistence production. They constitute different ways in which individuals and households mobilize their labor power in order to secure their livelihood. But even in countries where subsistence livelihoods prevail³, wage employment is a crucial element for survival. Wage work is the largest contributor to

² Human capital (health, education and skills), natural resources, productive assets, time, family cohesion, and social and institutional networks are other important household resources that can be mobilized against vulnerability. Here the analysis centers on labor, not only because it is a resource that poor people have abundantly, but also because their success or failure to put labor to work is a central issue regarding vulnerability. The discussion of social networks, another critical ingredient for household survival, will be taken up in a later section of the paper.

³ In Papua New Guinea, only 18% of the labor force are working for wages, self-employed or running businesses, but this figure is growing as the need for cash is pushing people to look for other alternatives. Not all the remaining labor force is devoted to subsistence livelihoods either, as people engaged in village-based farming or fishing activities do so for both subsistence and cash income.

household income in many countries, from Latvia (where wages account for over 60% of total household income) to Grenada, where most households derive their earnings from wages or self-employment in small-scale agriculture and the services sector. In Lebanon, too, wage earners constitute more than two thirds of the total labor force, including among the poor, the majority of whom depend on wages or are self-employed.

In countries where formal wage employment is scarce, labor still constitutes the main asset for the poor. In Angola, the urban informal sector shelters not only the poor, but also the better off. Nearly 3 out of every 4 households in Luanda have at least one member working in the informal sector, mostly in commerce where women predominate. In Uganda, unemployment rates are traditionally low (except in Kampala), because almost everyone capable of physical work is engaged in producing for their own subsistence.

It is not surprising, then, that poverty is closely associated with unemployment and low wages in almost every country. Wage trends are the single most important factor explaining changes in household wellbeing in Bulgaria, while in Latvia households in which the main breadwinner is looking for a job face the highest poverty risk⁴. Similarly, in the Palestinian Occupied Territories, the poverty incidence of households whose members are not in the labor force is 33%, while full-time employment is the strongest indicator that a household is unlikely to be poor⁵. There is also a strong association between unemployment and low satisfaction of basic needs in Lebanon, while in Angola employment makes the largest positive contribution to consumption levels, especially in households with working wives.

But labor and other household resources do not exist in a vacuum. What matters is people's ability to convert their resources into assets that can be used to lessen vulnerability and improve wellbeing. Resources become assets only when people can take advantage of opportunities in the market, society and their relationships with the state⁶. This implies that household resources cannot be analyzed independently from the

⁴ Having access to wages, income from self-employment or pensions as main sources of income is associated with the lowest poverty risk in Latvia, compared with households depending on income from agriculture or social transfers, excluding pensions, which face the highest poverty risk. In fact, one third of the individuals living in households that depend on social transfers live below the poverty line of 24 Lats, while agriculture predominates in the two lowest quintiles of the income distribution. In contrast, private sector employment is heavily concentrated in the higher quintile, which also has a large proportion of families with at least one member with a public-sector job. Although access to social assistance and unemployment compensation help some households rise above poverty levels, they are not universally provided, partly as a consequence of the growth in informal sector activities.

⁵ Only 16% of the households in which the head is employed full time are poor, as opposed to 34% of the households in which the head worked only part of the previous twelve months. In fact, employment is a much more significant factor than labor force participation rates in explaining poverty rates in Palestine, even though low wages are still a better predictor of poverty levels. For this reason, Palestinians working in Israel, although mostly confined to unskilled jobs in the construction sector, tend to earn higher wages and, therefore, have a smaller-than-average tendency to be poor.

⁶ Labor, for instance, is a crucial household resource, which becomes an asset only when it is used to obtain wages or products. Social contacts and relationships are also important resources, but they become assets when they can be used to obtain useful information for credits, jobs, markets or services for a household, such as when a neighbor baby-sits for a mother who goes to work.

opportunity structure that either enables or constrains their ability to transform those resources into actual assets.

Opportunities for accessing goods, services and livelihood activities are not distributed randomly. They are structured, in the sense that instead of a ‘constellation’ of opportunities, one finds certain patterns that link together people’s access to employment, goods, services or other markets. The state and the market play a predominant role in structuring people’s opportunities and access to wellbeing. Thus, changes in household vulnerability can be produced either by changes in the amount or quality of the resources households possess, the opportunity structure they face (including its access rules), or both. Understanding vulnerability requires focusing simultaneously on the characteristics of households, their endowment of resources and the opportunity structures faced by them. When options are available, labor becomes an asset that can improve household capabilities. But when labor cannot be effectively mobilized as a result of labor market saturation, industrial restructuring and closure of firms or, more generally, economic decline, households are forced to adapt in order to prevent an erosion of their survival capacity.

Ample cross-country evidence points to a process of economic and societal change characterized by the erosion of work, which has produced significant transformations at the household level. In Grenada, wage labor has dropped as a result of government downsizing and a steep decline in agriculture, which was characterized by the prevalence of wage labor. Both small farmers and rural laborers now exert pressure on urban employment, while light manufacturing for export has failed to fill the gaps due to comparatively high wage levels. Thus, a large part of the adult population is only able to find casual jobs in the informal economy, which is the only sector that has grown in recent years. Although found among all social strata, unemployment is particularly high among the youth and older, unskilled workers, particularly women, and is strongly associated with household poverty⁷.

Formal employment is also extremely scarce in other poor countries like Uganda and Sudan, and is mostly performed by men. While the poor cannot afford the luxury of unemployment, they are forced to survive on extremely low earnings, long working hours and harsh working conditions. Informal activities proliferate and, as a result, casual labor has become a critically important source of income for households⁸. Casual labor, however, is characterized by very low, irregular and unreliable wages, especially in urban

⁷ However, a number of respondents did not refer to informal employment as work. They classified themselves as unemployed, even if informal work took up a large part of their time. By and large, women sell fruits and vegetables, but fishing, small-scale cattle raising and street vending are other activities typical of this sector.

⁸ In Uganda, casual labor normally involves piece-meal work in one’s community as well as work performed by migrants in other cities or areas of the country. Manufacturing is a male activity, but many women participate in petty trading, especially as ‘verandah traders’ and in the so-called ‘evening markets’, which started when urbanization took place and many people migrated from the countryside. Although marketing of produce is mainly the responsibility of men, some women participate, albeit only with their husbands’ permission. Women also predominate in the production of cassava, potatoes and cotton, where they perform as much as 50% of the work.

areas where the market is saturated and there is a high degree of competition for jobs. It is no wonder unemployment was ranked among the three main priorities in participatory assessments carried out in four communities in Kampala. Unemployment is also a growing phenomenon in Sudan, affecting mostly women, the young and the rural labor force. Sudanese women, in general, appear to be more vulnerable to job destruction and less prone to benefit from job creation.

Families have been especially hard hit in countries undergoing transition to a market economy. Most of these countries have seen a substantial rise in casual work and unemployment. In Mongolia, the transition has resulted in widespread unemployment and

**Box 1: Coping with protracted crisis:
Bulgarian households during transition**

The experience of Bulgaria since the transition began illustrates the tremendous pressures faced by households in a context of shrinking opportunities, and the ways they are responding to them. The transition began with radical and swift economic reforms, which reduced minimum wages and social payments drastically. By 1997, the minimum wage purchased only 33% of the minimum subsistence basket, compared to 77% in 1990. The drop in social payments and unemployment benefits compounded the negative effect of falling wages. It is estimated that real wages and social assistance declined by 65% to 70% from 1990 to 1998. The contribution of wages from the main job to household income dropped during this period, while that of second jobs and home-based production rose significantly. Only one out of four female-headed households has a person with a permanent job, compared with 75% in those headed by men. As a result of these changes, households' capacity to save has been severely affected: the share of total household income devoted to savings fell from 10% in 1989 to 3% in 1997. Households have adjusted to economic change by both modifying the structure of their consumption and cutting it in absolute terms. Real consumption in 1997 represented less than a quarter of its 1990 level. As families struggled to protect food consumption, expenditure on food items rose as a proportion of total household budgets from 36.3% in 1990 to 54.4% in 1997. Households also reacted by increasing their consumption of goods produced at home. Thus, the non-monetary share of income increased, especially at the beginning of the reforms, although it still rose another 4.4% between the second half of 1996 and 1997.

Apart from cutting down consumption and consuming their lifelong savings, Bulgarian families have resorted to other strategies to stave off poverty. Many have resorted to the black economy in an attempt to secure goods and protect household incomes. Informal work has mushroomed, and there are now one million workers in the informal economy. According to a recent World Bank study, informal work now accounts for more than 40% of Bulgaria's GDP. This would put the informal economy on a par with the private formal sector and make it one of the driving engines of the Bulgarian economy. Growing absenteeism in numerous enterprises appears to be linked with more time spent on second jobs. Many households are removing their children from school to put them to work, while Muslim families have taken in more home-based work for cash. At the same time, the population at large, but especially Muslim families, is now producing larger amounts of goods for their own consumption. This includes raising animals, growing food and producing basic textiles and garments for the family's own use.

Thus, the rise in second jobs, informal work and subsistence production means more household members work, and they do so for longer hours. Declining opportunities as a result of structural change and a rise in casual work have increased pressures to migrate. The Bulgarian population is more mobile now than in 1990. Romany families have resorted to clan networks to secure jobs in far away places, while Muslim families tend to move from rural areas to the cities. The shift to subsistence production is not limited to rural families. Many urban households also participate in subsistence activities, which do not necessarily remove them from the urban labor force but rather increase their workload.

underemployment, coupled with falling real incomes. Mongolia's population is very young, and the lack of new job opportunities has resulted in a 40% unemployment rate among people under 25 years of age. Rising poverty and drastic cuts in basic consumption are forcing many households to search for new avenues to secure livelihoods. However, chances are that once a person loses a job, she will remain unemployed for some time. Thus, a vicious cycle of cumulative disadvantages is set in motion, which narrows the prospects of large sections of society to secure a decent livelihood.

The transition process in Bulgaria was characterized by radical and swift economic reforms, which cut wages and social benefits drastically, pushing many workers into the informal economy. Data shows that Bulgarian people are working harder to make ends meet, often with little success. Casual employment has mushroomed, but the fact that it concentrates in the lower tiers of the labor market means poor households are subject to both low and insecure incomes. Similarly, many Latvian households are turning to self-employment and subsistence production following a substantial decline in the relative importance of wage employment since the onset of transition⁹. Discrimination in hiring practices, wage arrears and temporary and precarious forms of work have become commonplace, and increasing wage dispersion contributes further to social stratification. The main trend is for the chronic unemployed to become self-employed in very unproductive subsistence activities in agriculture, as a result of which Latvia is witnessing a substantial movement of population away from the urban-based cash economy. People engage in a range of activities to augment their insufficient incomes. Buying and selling cosmetics, used clothing and a variety of wares, as well as sorting recyclable rubbish are among the activities commonly performed by people unable to find work and by the children of poor families. Men look for casual jobs in construction, plumbing and welding or perform electrical repairs. Women knit and sell clothes or work as janitors and domestic servants. Even the formally employed perform various activities on the side: doctors care for the chronic ill, nurses work at night tending for the elderly or give injections and massages, while students and professionals give private lessons.

In other countries, including many middle-income countries, the process of erosion of work can be attributed to the effects of economic crisis and the adjustment policies implemented in its wake. The growth of unemployment and precarious jobs due to closure of firms, rising labor flexibility, the weakening of labor unions and the withdrawal of the state as employer has reduced the prospects of many Uruguayan families for building their future through stable jobs. Labor flexibility is also on the rise in South Africa, increasing the share of low-paid and less secure employment. This in turn exacerbates social stratification, as the bulk of the self-employed tend to be concentrated among the African, rural and female population.

⁹ Initially, the decline of formal employment led to rising participation rates and growth of the informal economy. Now, however, activity rates are *falling*, partly due to the petering out of growth in the informal sector. As a result, Latvia seems to be experiencing a downsizing of the market-based urban economy and a return to subsistence agriculture.

Even labor-intensive East Asian countries have experienced a growth in informality. This is the case, for instance, of Indonesia, one of the countries most severely affected by the 1997 financial crisis. Between August 1997 and August 1998, real wages dropped by 33%, pushing under the poverty line a large number of people who had been formally employed in 1996. And while unemployment in Indonesia is traditionally low, partly because poor people cannot afford idleness, the situation after the crisis is one that shows 70% of all poor household heads were self-employed in 1998, whereas only 28% were wage earners. Even in South Korea, where steady employment growth has provided the basis for the country's remarkable track record in reducing poverty, still half of all urban employment in 1993 was in the informal sector, and unemployment rates were relatively high, particularly in slum areas where the poor reside¹⁰.

In sum, there is ample empirical evidence to support the view that there has been a process of shrinking opportunities for the poor in many countries. Households' incapacity to mobilize their labor seems to be on the rise both in poor, middle-income and former socialist countries. In some countries, the informal sector provides a refuge for those unable to find jobs in the formal economy, and constitutes a crucial ingredient in household livelihood strategies. But in others, the informal sector seems to be saturated and as stagnant as the rest of the urban and rural economy¹¹.

Still, changes in the opportunity structures do not affect all households in the same way. First, households are endowed with different amounts of resources. Secondly, there are certain household factors that equip them differently to cope with change, a point to which we shall return later. Thus, the ability of households and individuals to combine resources and put them to work is not an isolated event, but rather an outcome of complex social processes where household factors and labor market opportunities play a critical role. As the latter have shrunk, households have been forced to adjust in order to forestall vulnerability¹².

3. Coping strategies and social reproduction

Changes in the sphere of work have led to a process of household restructuring and adjustment in many countries. As a growing number of individuals experienced unemployment or had no other alternative but precarious jobs or subsistence agriculture,

¹⁰ The poor in Korea are classified in five categories, almost all of which are employment-related. They comprise those who are unable to work because of age or disability; those who are unemployed but able to work; the underemployed; those who are employed but unproductive; and those who are employed but carry a heavy burden of expenses for housing, education and health care.

¹¹ In the Palestinian Occupied Territories, households whose main breadwinner is self-employed in casual work have the highest incidence of poverty, higher even than households with persons reported unemployed. This suggests that the informal sector in Palestine may be saturated, unlike other countries where informal wages and self-employment provide a refuge from poverty.

¹² According to South Africa's *Poverty and Inequality* Report, "vulnerability to poverty is countered by accumulating assets and managing them in such a way that sustainable livelihoods can be generated". Therefore, lack of assets and the inability to accumulate and use them due, for example, to labor market constraints are crucial elements of vulnerability. The inability to use or to take full advantage of the few assets the poor have access to is what the South African report calls the 'poverty of opportunity'.

they have had to mobilize other sources of income to protect their consumption. Labor market trends, therefore, have triggered important changes in livelihood strategies. In responding to those changes, households have displayed remarkable ingenuity and resilience. But the acute and protracted nature of the crises that have beset many countries seems to be eroding the households' resource base, straining their capacity for survival.

It is useful to distinguish between two different types of household strategies. A *reproduction strategy* involves a series of economic and non-economic activities aimed at ensuring the long-term reproduction and wellbeing of the household unit and its members. A *survival or coping strategy* is typically a short-term response to shock and stress, and is implemented in order to cope with the expected and unexpected hardships of everyday life. The distinction between the two is not always clear-cut. Sending children to work, for example, may serve to protect households' income and ensure their reproduction during a crisis, but it also curtails children's life projects and often contributes to the transmission of disadvantage to the next generation. This highlights the contradictory nature of many household strategies. In fact, the implementation of coping strategies in a context of shrinking opportunities may severely limit the possibility of longer-term actions.

Box 2: Unemployment, informality and poverty in South Africa

Unemployment is a major contributor to poverty in post-apartheid South Africa, encompassing up to 30% of the economically active population. It is highest among Africans, women, youths, the rural population, and those with no work experience. Fourteen percent of people from non-poor households are unemployed, compared with 55% for those from poor households, who typically rely on multiple income sources to reduce risk. Household livelihood strategies include a combination of agriculture and fishing, self-employment in small and micro-enterprises, wage labor, and claims against the state (pensions, unemployment insurance and state child maintenance), employers (pensions) or individuals (private child maintenance). Other income-earning and income-stretching activities are also critical, including domestic labor, illegitimate activities (drug trafficking, prostitution and petty theft), the sale of household assets and the use of natural resources for cultivation, grazing, fishing.

The economic sectors most closely affected by poverty are agriculture, where the standard wage is well below the subsistence minimum and the labor market is little developed; mining, which relies mostly on poor rural workers; community and domestic services, which are mostly informal and performed by women; and informal self-employment. Of the 1.2 million people in the informal sector, 86% is African and 7.6% coloured. However, informality is not homogeneous in South Africa. There are huge differences between self and wage employment in the informal sector, and while informal wage employment provides an average income above the poverty line, mean and median incomes among the self-employed amount to half and one-ninth, respectively, of the mean monthly income across all informal categories. Moreover, income dispersion among the self-employed hides a large majority of people far below the poverty line. Race, gender, age and location constitute important 'markers' of poverty among them. At least 45% of those who are self-employed in informal activities earn less than the Supplemental Living Level (SLL), which represents 35% of the poverty line. Africans, young people aged 15 to 24, women and those living in rural areas constitute 76%, 67%, 60% and 46% of the self-employed earning less than the SLL. Eighty percent of those with all markers (African women aged between 15 and 24 in rural areas) belong to this category.

Our review of country findings provides substantial evidence of a growing tension between short and long-term livelihood strategies. In many countries, coping strategies are not only proving insufficient to offset the consequences of economic crisis and change, but may also undermine households' ability to recover in the future. There are increasing signs that there may be limits to the adaptive behavior of the poor, and that a survival strategy that relies on an intensification of household resources cannot be sustained permanently¹³.

Short-term coping strategies may be distinguished between *household work strategies* aimed at protecting or increasing household resources, and *restrictive practices* based on cutting down or modifying household consumption of goods and services. This is an analytical distinction, since in actual practice many strategies have an element of both¹⁴. Moreover, it is sometimes difficult to know when an alteration in consumption stops being a coping mechanism and instead leads a household into destitution. Some changes in consumption patterns (like eating more cereal instead of meat) can be understood as coping strategies, while others (curtailing total consumption, dropping out of school or not visiting a doctor) are rather an indication of a failure to cope. Both, however, are household responses to constraining conditions, as households have to make tough choices within a binding budget constraint and these choices often involve very costly tradeoffs. In general, a strategy can be said to exist as long as households have the ability to choose, even if this is a tough choice. Once this capacity is lost, strategies cease to exist.

First, we will review household strategies to protect or increase household resources, which are implemented mainly through a process of intensification and, to a lesser extent, substitution of work performed by members of a household. Then we will present country-based evidence on the prevalence of restrictive household strategies, which typically involve cutting off budgets or changing consumption practices, are implemented when the former are incapable of offsetting the erosion of the household's resource base and are normally a clear sign of decreasing household capabilities.

¹³ Research on the impact of economic crisis in Latin America during the 1980s documented extensively the process of adjustment within poor urban households as they struggled to adapt to a changing environment. A major contribution of these studies was their emphasis on the 'agency' of the poor and the rationality of their behavior in the face of crisis. This challenged a long tradition of social science research that gave preeminence to structural factors in the analysis of social change. However, an excessive emphasis on poor people's resourcefulness and capacity to adapt runs the risk of overlooking the fact that households' resilience is not infinitely elastic. Coping normally involves a delicate balance between short-term strategies for survival and long-term social reproduction, and the result of this tension is not always sustainable. Protracted crises, in particular, may erode and eventually deplete the resource base on which people's livelihoods depend. Thus, it is important to introduce the concept of 'sustainability' into the understanding of how people cope with structural constraints. Sustainability, in this context, applies not only to the use men and women make of their natural environment, but more broadly to the pool of multiple resources (personal, social, economic and environmental) households possess and control.

¹⁴ We prefer this distinction to Caroline Moser's (1996) distinction between *intensifying* existing strategies and *diversifying* or implementing *new* ones as the main household responses to vulnerability. This is because mechanisms to increase or protect household resources (like sending more members to the labor market to protect household monetary income) and restrictive coping strategies (like cutting consumption) may apply to existing as well as new strategies, both of which can be of a restrictive or protective nature.

3.1 Household work strategies

Households adapt to worsening conditions by increasing effort. This has often involved a twofold strategy consisting of more, and more intense, work. As a rule, when incomes fall households react by placing more members in the labor market, as well as raising the share of informal and family-based work for cash, including the use of unpaid labor of women and children. Female labor force participation rates have increased in almost every country, while men's traditional role as main family providers has declined in importance. Children's labor has also been on the rise, as it is seen as a resource to be invested in short-term strategies for survival. Moreover, household members who are already in the labor market tend to take second jobs and work longer hours, even as the total number of household income earners rises.

As a result of these trends, there has been a general growth in informality and casual labor, often in precarious and low-paid activities, which have gained relevance at the expense of formal employment and income from wages and salaries. Still, many families have succeeded in engaging in the informal economy, which now provides the basis for their livelihood.

- **Mobilization of additional household members**

Since wages are an important element of livelihoods, households' capacity to place their members in the labor market is one of the most important mechanisms for coping with economic hazard. Evidence from many countries shows that households have sought to compensate for their income loss by adding more workers to the labor market and expanding the pool of income earners. This often involved adding members who had never been active economically (such as many women and children) or had already stopped their participation (like old members of the household). In Indonesia, for instance, the dramatic fall in real wages from 1997 to 1998 was accompanied by a 3.5% increase in the labor force. This increase was largely due to higher participation rates by women, especially married women with children, who decided to enter or return to the labor market after a period of absence.

Mobilizing additional household labor is critically important because it helps reduce dependence on a single source of income, which constitutes a key determinant of vulnerability. This is why the economic position of Latvian households is directly related to its number of wage earners. By contrast, the vast majority of Palestinian households depend on a single earner, largely the male head. This may help explain why, in the absence of female labor to supplement the income of the male breadwinner, poverty rates increase consistently with household size.

Moreover, it is important to not only expand the pool of household earners, but also diversify the sources of income by drawing, when possible, from both wage and non-wage sources. This is one of the most typical strategies deployed by households seeking economic alternatives to protect their incomes. Both in Uruguay and South Korea, women with household responsibilities and children work on a regular basis for extra household income, mostly in casual and informal jobs with a high degree of irregularity and instability. Poor Korean households are characterized by a higher number of workers,

an indication that intensifying the use of labor is one of their mechanisms to make ends meet. In Bulgaria, too, the rise in second jobs, informal work and subsistence production means more household members are working, and they do so for longer hours, whilst between 13% and 19% of Indonesian households have had to add the work of previously inactive household members in their survival strategies since the beginning of the crisis.

- **Family-based work for cash**

In places where labor markets are not well developed and subsistence activities prevail, family members contribute to the household economy not by participating in the labor market, but rather in a mix of family-based cash and subsistence activities. This is the case in many poor countries where rural self-provisioning is the norm. Nevertheless, subsistence production is limited neither to agriculture nor to rural areas. Interestingly, a small but growing number of non-peasant families, including in some middle-income countries, are shifting to home-based production for lack of cash income, even in urban sites. However, these activities will be treated separately, as they are not primarily aimed at mobilizing additional household labor but rather at cutting down expenditures by substituting the consumption of goods produced at home for goods that were previously purchased in the market.

Where livelihoods depend on a single source, such as in many fishing communities of Uganda's Kalangala district, they are at greater risk. To reduce this risk, people mobilize the collective efforts of all household and community members. Thus, although different in kind from formal wage employment, rural livelihood strategies also rely on the mobilization of household labor and the diversification of income sources for their survival. In rural Grenada, the majority of the poor do not have access to land, and even those who do lack the necessary resources to turn it into an asset. For this reason, the bulk of poor Grenadian households rely on 'backyard gardening', producing their own food for both consumption and sale or exchange. A similar situation is present in Indonesia, where households engaged in agriculture are among the poorest. However, a large number of agricultural households can also be found in urban areas, where they survive on a combination of subsistence farming and family-based informal production and trade.

In Uganda, too, subsistence farming is the main livelihood activity in rural communities, where very few people depend on paid employment or trade. Farming systems in Kapchorwa district cover a wide range of food and cash crops including coffee, maize, beans, wheat, cassava, sweet potatoes and yams, underlining the importance of having different sources to draw from. Women participate actively in the household economy, particularly in farming and petty trading, while male youths are becoming increasingly involved in casual work such as brewing, collecting firewood or grinding millet. Self-provisioning agriculture is also present among Uganda's urban inhabitants, who tend to poultry and goats and grow yams, bananas, potatoes and legumes in their gardens.

Household livelihoods in Papua New Guinea include subsistence gardening, river and seabed fishing, hunting and gathering. Everyone capable of work contributes to the household and village economy, from children as young as ten years old to elders aged seventy. When fishing or hunting is done for subsistence purposes, villagers by and large

use traditional techniques that inflict no harm to their natural habitat. But as people increasingly need cash income to pay for school fees and services, households are intensifying their production in order to sell their catch or prey for cash. Lacking other means of earning incomes, villagers are also turning to cash cropping. This involves clearing large tracts of forest to create space for farming, hunting larger amounts of wildlife, and fishing more frequently, in larger quantities and farther away from the seashore. Households' increased dependence on the cash economy is illustrated by the fact that, in 1990, 43% of rural households were involved in coffee production and 36% in copra production. Clearly, this example highlights the tension between short-term survival strategies and long-term social reproduction, as the intensification of the use of natural resources poses a serious danger to the sustainability of people's livelihood strategies in the future.

- **Intensification of work**

Apart from placing more members in the labor market, households are responding to income shortfall and job loss by intensifying the total amount of work performed, both by individuals who were already working and by the household unit as a whole. This applies to formal wage employment as well as non-wage employment. Evidence from Bulgaria, Indonesia, Uruguay and other countries shows that people are working longer hours, taking on additional jobs and increasing home-based production in an attempt to prevent the erosion of their incomes.

Indonesian households, for instance, are coping with the recession that began in 1997 through a process of intensification of work. In a survey conducted in 1998, more than one third of urban poor households and half of rural poor households had taken additional jobs, while 34% and 42% of poor households in urban and rural areas, respectively, were found to be working overtime. Those who are employed before the crisis are working more hours, especially among poor families and poor household heads in particular. Middle-class households also increased their work effort in order to prevent a slide into poverty, in spite of which poverty rates jumped after August 1997.

Although for different reasons, second jobs have also gained in importance among Bulgarian workers. From 1990 and 1998, the share of wages from the main job in total household income dropped from 58% to 53%, while that of second jobs rose nine-fold, from 0.4% to 3.6%. They comprise mostly temporary and part-time jobs, as well as undeclared services performed on the side, meaning that Bulgarian wage-earners have been pushed into the informal or black economy where consumption has increased remarkably. The rise in second jobs, furthermore, may partly account for the growing absenteeism observed in many enterprises.

In Uruguay, men as well as women and children are important agents in households' work intensification strategies that have accompanied structural reforms in that country. In the case of men, those strategies take place primarily through self-employment, longer working hours and acceptance of any job, even if it requires fewer skills and pays less than previous work experiences. In turn, women and children are taking on precarious jobs to complement family income. For both of them, this normally implies a heavier

workload, as women retain their domestic responsibilities and children struggle to keep up with their schooling.

- **Women's contributions to the household economy**

More than ever before, women's labor has become a crucial asset for household survival and reproduction. Women participate in households' income-generating activities in growing numbers, while men are encountering mounting problems to carry out their role as providers. Rising female participation rates in the labor force are an indication of these trends, although lack of jobs and the general contraction of the wage sector in many countries have often constrained women to low-paid, casual work in the informal economy. Predictably, women have played a preeminent role in many of the work substitution practices implemented by households by shifting to home-based production of goods previously acquired in the market.

In countries like Latvia, households with a female breadwinner are evenly spread across social strata and constitute a majority of all households (56%). The significant rise in labor force participation that followed in the immediate aftermath of the 1997 crisis in Indonesia can largely be attributed to higher participation rates among women, including married women with children, many of whom entered the labor market for the first time. In Angola, where formal employment is extremely scarce, almost half of all economically active women participate in informal activities, contributing substantially to household income. This large female presence is not only associated with a lack of job opportunities in the formal economy, but also with women's need of flexible work hours to balance wage employment, on the one hand, and household and child care responsibilities, on the other. The positive contribution of women's work to household consumption in Angola derives from several factors. First, a working wife often has a working husband, while the opposite is not as frequent; secondly, wives often earn more than their husbands; and thirdly, they tend to spend a larger proportion of their earnings on the consumption of basic necessities. In Uganda, casual labor is performed predominantly by women, who participate actively in petty trading, marketing of produce as well as in the production of cassava, potatoes and cotton. As in Angola, women's participation in the generation of household incomes is so important that households with only male income earners are reported to be among the poorest in Kampala. In spite of this, many Ugandan men place restrictions on female participation in economic activities, especially on married women in rural villages.

In fact, although women's work is a crucial ingredient of the livelihood strategies of poor households in many countries, they still face severe discrimination in labor markets. Sudanese women, for example, are said to be the first to suffer from job loss and the last to benefit from job creation. Several women who participated in focus groups in Grenada reported they had a regular source of income, but their wages were usually very low and insufficient to meet their families' needs. In Bulgaria, only 27.6% of female-headed households had at least one person permanently employed (overwhelmingly women), while the corresponding figure in households headed by men was 74.6%. Even in South Korea, where female participation rates are relatively high and their participation in labor-intensive industries has been a crucial ingredient of the country's economic

success, discrimination and stigmatization of women who enter the labor market are still common. Women are concentrated in agriculture and the services sector, and those who work in light manufacturing for export tend to receive very low wages. As a result, women conform one of the few 'pockets of poverty' that still remain in South Korea, together with the elderly and single-headed households.

The dismantling of social programs in countries undergoing adjustment or transition has further affected women's position in the work arena. Mongolia dismantled publicly financed day care centers precisely at a time when labor burdens were shifting in many households toward greater female participation as wage earners. This has left Mongolian women with no choice but to take on the double role of breadwinners and caregivers within the family. Given women's critical contribution to the household economy in so many countries, curtailing social programs presumed to benefit only women is bound to have an impact far beyond them.

- **Children's labor**

Changes in labor markets and relative prices not only affect those who are active economically, but every member of a household. This applies also to children, one of the main – and most innocent – victims of the process of shrinking opportunities that affects most countries reviewed. There is ample cross-country evidence that, in responding to confining conditions, households have not spared children from their work intensification strategies. Consequently, large numbers of children are not attending or drop out of school in order to contribute their labor to the household economy. They do this either by performing unpaid work or selling goods or services to supplement family income.

Child labor seems to be of crucial importance for subsistence livelihoods in Papua New Guinea, where children at the young age of ten start contributing to the household and village economy, and in Uganda. Many children in Kampala have been forced to look for jobs at an early age in order to support themselves and help their families. As a result, the number of street children has increased over time. Youths, an extremely vulnerable group, are turning to illegal practices like stealing or to the exchange of sexual favors to elderly women for money to survive. Sex work is also a common practice among women in the Kisenyi Parish. Dropping boys and, especially, girls from school to help with domestic chores, forcing young girls to marry in exchange of a bride price and sending children and youths to perform casual jobs for food and income are among the survival strategies implemented by Ugandan households to protect their paltry incomes.

The use of child labor, nonetheless, is not restricted to poor countries with subsistence economies. Many Bulgarian families are removing their children from school to put them to work. Korean children, too, contribute an extra household income regularly, by working on all types of casual and informal jobs. In Indonesia, about one out five poor households was relying on children's unpaid work a few months after the financial crisis. While child labor has risen throughout the country, it is particularly high among urban boys from low-income families.

Although children's work has been mobilized almost everywhere as a response to declining incomes, it is not clear whether or not it enhances household wellbeing. On the other hand, the consequences for children can be devastating, imperiling their health and curtailing their educational opportunities. The need to use child labor for survival is one of the most important obstacles to education in Angola, where attendance rates are low, especially among young children for poor families. In particular, school attendance among very young children from families living in extreme poverty is a dismal 49% of their school-age cohort. Data from South Korea, on the other hand, do not reflect that working children are necessarily being withdrawn from school. Nevertheless, one can presume that children who are asked to work regularly end up quitting school and devoting their time to search for employment.

3.2 Expenditure-minimizing and other restrictive practices

We have reviewed a number of work intensification strategies implemented by households with the purpose of protecting or increasing their pool of resources in the face of declining opportunities. Often, however, such strategies are not sufficient to cushion the poor from the impact of unexpected shocks and change, forcing them to adopt a range of restrictive practices aimed at protecting the household's basic consumption and offsetting the erosion of its resource base. This section will discuss a number of restrictive household practices, which as a rule involve cutting total spending, changing consumption patterns and liquidating household property and savings.

In most cases, households implement a mix of work intensification and expenditure minimizing strategies. Moreover, their net effect is often the same, since both seek to increase the household's disposable income. However, it is useful to keep the analytical distinction between the two, as restrictive practices tend to be implemented when work strategies are incapable of offsetting the erosion of the household's resource base and are a sign of diminishing capabilities that may lead a household down the path to destitution.

We have included home-based production and migration to the countryside among the restrictive household practices, despite the fact that the former involves an element of work substitution and the latter is often driven by a search for work. The reason why home-based production for own consumption is treated as a restrictive practice is that, while it involves a decision made by a household on how best to deploy its labor power, this decision normally does not involve the mobilization of *additional* household labor. Besides, its main rationale is not to increase household resources, but to reduce expenses on goods previously purchased in the market. Similarly, migration can be interpreted as a strategy to enhance household resources by sending family members to work in cities or abroad for extra income. The emphasis here, however, is on movements away from the urban-based cash economy to rural-based subsistence activities, which have been implemented in many countries in order to minimize consumer spending and protect basic consumption. Finally, poor households have often been forced to turn to a number of illegal or marginal activities for their survival, and these activities are also discussed here. Apart from being another symptom of declining capabilities, illegal and marginal activities may result in social exclusion and stigma for the households involved or at least some of their members, which may further restrict their opportunities for the future.

- **Cutting food consumption**

There is clear evidence that a process of adjustment has taken place at the household level as a consequence of shrinking opportunity structures and increased vulnerability. In most countries, households have responded by modifying the structure of their consumption as well as reducing it in absolute terms. This applies first to non-essential items, but very often to food staples as well.

The proportion of households reducing both the quantity and quality of food consumed is very significant in Indonesia, and is more apparent among the poor than the non-poor, particularly in urban areas. Almost two out of five poor Indonesian households have cut expenditures on food since the onset of the crisis. Similarly, urban households in Uganda, particularly in Kampala, have reduced food consumption to the point of having only one meal a day. They have also changed their shopping habits. Instead of purchasing small amounts of sugar, maize flour or beans on a daily basis, they now buy larger quantities for use over several days. This practice allows them to pay lower prices than before. Buying on credit has also become a regular practice.

As households' budgets shrunk, the share of expenditures devoted to food rose in many countries. In Bulgaria, food expenses as a share of total spending rose by half, from 36.3% to 54.4%, between 1990 and 1997. A similar trend was observed in Mongolia after the transition, especially among households headed by pensioners or workers on fixed wages, who have slipped into poverty as a result of drastic declines in their purchasing power. This has led to a severe deterioration of people's diets, despite their efforts to protect food consumption. Daily calorie intake per person in Mongolia was 25% lower than in 1989, and still remained 15% short by 1996.

- **Changing dietary habits**

People have also modified their consumption patterns in an attempt to save money. Consumption of bread and meat, once a traditional staple in Latvian diets, has decreased in recent years. As people try to buy the cheapest food, potatoes and other vegetables have become the main items in their diet, together with cheap fish.

Switching the quality of food has also been a common response to crisis in Indonesia. Almost half of poor households in rural areas and six out of ten in urban areas are eating smaller amounts of vegetables, fruits, fish, meat and other protein-rich foods, which they have replaced with rice and other inexpensive cereals. The poorest urban households, in particular, were consuming half as much cereal as a proportion of their diets in 1998 than in 1996.

In Mongolia, too, the quality of people's diets has suffered since the economic reforms began. Looking for cheaper substitutes has led to serious nutritional imbalances, undoing the improvements made over a period of two decades starting in 1970.

Box 3: Coping with a sudden shock: Domestic responses to crisis in Indonesia

To assess the impact of the crisis on poor households, Indonesia's statistical office conducted a nationally representative survey sixteen months after the onset of the crisis. The survey covered 10,000 households spread over 27 provinces across the country. It found that the crisis had had a great impact on all households, both poor and non-poor, in rural as well as urban areas. But the poor, who had fewer resources to count on to begin with, were most seriously affected, to the extent that many were found to be on the brink of survival.

During the six months prior to the survey in 1998, Indonesian households resorted to the following practices in order to compensate for rising prices and declining purchasing power:

- ***Doing additional jobs.*** The recession that started in late 1997 has forced many economically active persons to take on additional jobs to supplement their falling incomes. Almost 37% poor urban households and 49% of poor households in rural areas had resorted to this coping strategy during the six months prior to the survey.
- ***Working overtime.*** One third of poor households in urban areas and almost half in rural areas were found to be working overtime. Those who were employed before the crisis were working more hours, especially among poor families and poor household heads in particular. This, however, was not a monopoly of the poor, as many middle-class households also had to increase their work effort in the aftermath of the crisis.
- ***Asking children to work.*** Eighteen and 22% of poor urban and rural households, respectively, were relying on child labor. The incidence of child labor was relatively high across social strata, but particularly among children from low-income urban families.
- ***Asking other household members to work.*** Fourteen percent of poor urban households and almost 19% of those in rural areas are including the work of other household members in their survival strategies. These members were either previously inactive or had retired from the labor market as a result of advanced age or motherhood. Women, in particular, increased their participation in the labor force greatly after the crisis. This included many married women with children, who entered the labor market for the first time in an effort to compensate for the dramatic fall in real wages and household incomes.
- ***Reducing the quantity of food.*** A substantial proportion of households had no choice but to reduce both the quantity and the quality of their foodstuffs. The proportion of poor households that reduced total food consumption was as high as 40% on average for rural and urban areas, compared with 22% of non-poor households. Vegetables, fruits, fish, meat, eggs and milk were the main items that had to be cut from people's diets. For the bulk of the Indonesian poor, food is largely limited to rice and other cereals. Having access to rice means being able to survive from starvation.
- ***Switching the quality of food.*** Nearly 60% of poor urban households and 50% of rural households have substituted rice and cereals for more expensive food staples they can no longer afford. The change has been especially marked in urban areas, where the share of cereals in the diets of the poor rose 20% to 29% between 1996 and 1998. Non-poor households were no less affected, as almost 40% of them are eating more cereal and fewer protein-rich foods than before the crisis.
- ***Withdrawing children from school.*** In contrast to other countries, the poor in Indonesia have mostly been able to protect the schooling of their children, a clear indication of the importance Indonesian society attaches to education. Notwithstanding this, a growing number of children have been withdrawn from school since 1997, although the numbers still affect only a minority of poor households: 2.3% in urban areas and 3.3% in the countryside. It is worth stressing, nonetheless, that protecting children's education has occurred at the expense of being able to satisfy other equally fundamental basic needs.

Box 3: Coping with a sudden shock (continued)

- **Reducing medical expenses and purchases of clothing.** Although figures are not provided, there are some indications that people have been forced to curtail health care visits and purchases of medicines, to the obvious detriment of their health status. On the other hand, survey data reveal a dramatic drop in purchases of clothing, as people strove to keep their heads above the water by modifying their consumption practices. Almost 73% of the urban poor and 67% of the rural poor have cut down on expenditures on clothing, compared with 62% for the urban and rural non-poor.

- **Reducing expenses in recreation and transportation.** The proportion of households reducing their expense in recreation is one of the highest, reaching almost 62% of poor urban households and 64% of urban non-poor. The corresponding figures for rural households were 49% and 44%, respectively. Furthermore, about half of poor urban and rural households, and more than 40% of the better-off, cut expenditures on transportation, which may have serious implications not only for work and income generation, but also for people's capacity to maintain social exchange and interactions with networks of relatives and friends.

- **Withdrawing savings.** Although poor households have fewer savings to draw from compared with non-poor households, almost one out of ten had to withdraw savings in the wake of the crisis in order to satisfy their basic needs. Normally, this strategy is a symptom that poor people are near the end of the line, as drawing from their meager savings is typically a last-resort measure they take reluctantly in an effort to avoid cutting on food consumption. The share of better-off households resorting to this practice was 18%, indicating their greater capacity to save in previous years, but also the economic difficulties they were encountering during the months prior to the survey.

- **Pawning and selling valuables.** More than 7% of poor urban households in Indonesia were driven to pawn some of their valuables to get much needed income for current consumption. In turn, 14% of poor urban households, and 11% of non-poor, have sold valuables in order to keep satisfying their basic needs. The corresponding figures for rural areas were 9% and 8%, respectively.

- **Borrowing from others.** This practice was most prevalent among poor households, especially in urban areas, where as many as 40% borrowed money and goods from other people, generally from friends and relatives, compared with 31% in rural areas. On average, one out of four non-poor households also had to borrow from others to make up for their income loss.

- **Consuming own production.** While borrowing from others seems to be most common in urban settings, consuming one's own production includes a greater share of rural households, range from half of all households among the poor to over two thirds among the better-off. Still, a substantial proportion of urban households also consumes goods produced at home, particularly among the poor where the percentage reached 19% at the time of the survey. There are some indications that failure to cope has prompted many urban families to move back to the countryside in search of an alternative source of livelihood.

In short, the recession that started in Indonesia in 1997 forced the majority of the poor to cut down their consumption and reduce their household assets, at the same time that they increased their work effort as well as their supply of labor to the economy. Nevertheless, these strategies have not provided them with an adequate shield against the effects of the crisis.

- **Reducing health and education expenses**

Another manifestation of people's increased vulnerability is that, apart from reducing total food consumption, poor households are cutting expenditures on other basic necessities in many countries. As a rule, the poor spend a much larger share of their

income on health and education than better-off households do. Still, they often cannot afford the cost of schooling or health treatment.

For instance, Angola's poor devote 1.5 times more of their budgets for educational expenses, compared with the non-poor. Households with high dependency rates and few breadwinners face the toughest situation. In Uganda, the cost of secondary education is said to be prohibitively high for poor families or youths without support. To send their children to school, poor families have to sell household assets or curtail other essential expenses such as on rent or medicines. In turn, the cost of seeking health treatment, together with inadequate services, forces people to resort to self-medication, traditional healers or untrained birth attendants. Likewise, a large number of Mongolian children have experienced disrupted schooling in recent years. The privatization of Mongolia's education system following the demise of socialism has shifted the costs of schooling from the public sector to the family. This has resulted in lower enrolment and completion rates among children from poor households.

By contrast, the poor in Latvia and Indonesia have so far managed to protect children's education, although only at the expense of satisfying other basic needs. Education, in fact, is highly valued among Indonesia's poor, in rural as well as urban areas. Consequently, although a growing number of children have been withdrawn from school since 1997, this practice does not affect a high proportion of households. In Latvia, many people had had to forego consumption on other critical needs in order to keep children at school. This applies, for example, to medical care which, in Latvia as in other former socialist countries, used to be universally provided by the Soviet state and is now a private service that has to be paid. Poor families can no longer afford medical treatments and doctors' bills. They tend to delay seeing a doctor as much as they can, relying instead on home remedies, over-the-counter medications or advice from professionals with whom they are personally acquainted and who, for this reason, will not charge for their services. This means that, in obtaining health care, people's entitlements have been replaced by personal connections and the exchange of favors.

- **Cutting non-essential expenditures**

Expenses on transportation, clothing, leisure and housing are among the first to be cut in times of distress. Although these consumption items are obviously not as critical as food or health care, one should not underestimate their relevance for people's wellbeing.

Many Ugandan families are unable to afford decent accommodation in urban areas, where rents typically consume a large proportion of family income. To save on rent, people stay in bad housing with no toilets, water connection or electricity, often situated in areas that are prone to floods, where they share their living quarters with many other households. The reduction of spending on transport, recreation and clothing among Indonesian families were both drastic and immediate when recession struck in 1997. Almost two thirds of poor urban households slashed expenses in recreation, while three out of four reduced purchases of clothing only a few months after the crisis began.

In Latvia, many households cannot afford the high cost of services and utilities, especially if the head is unemployed. To cope with the rising cost of rent and utilities, families economize in various ways, substituting cheaper for expensive fuel, not investing in housing repairs, or paying only part of their rent or their telephone, gas and electricity bills, in order to avoid eviction or discontinuation of services. Although these practices have helped Latvian families cope in the short term, this has only occurred at the cost of a sharp deterioration of their standard of living.

Box 4: Latvia: Adjusting to a new reality

Before the downfall of communism, Latvia's economy was closely intertwined with the Soviet market. The breakdown of the Soviet Union, the demise of the socialist economy and the economic crisis and hyperinflation that ensued ushered in a period of great uncertainty for Latvian households, forcing them to adjust to a new reality, sometimes at a high cost. Unemployment and a precipitous fall of real wages were accompanied by a dismantling of a generous, albeit inefficient, system of public subsidies for housing and a range of services and utilities. Suddenly, many households found themselves incapable of affording the high cost of utilities, which became a heavy burden not only for the pensioners and the unemployed, but even for salaried workers.

Latvian families display several strategies to deal with rising utility costs or keep up with housing rent, sometimes cutting back on necessary expenses when their debts become so large that they are in danger of losing services or even their apartments. Some pensioners were found to be cutting on food, since they were not willing to go into debt as a result of the accumulation of unpaid utility bills. Households economize in numerous ways. Some families cut back on the use of fuel, substituting expensive with cheaper alternatives or simply doing without fuel. Others live without electricity, which makes life more difficult, especially for school children who cannot study at home or do their homework. For this reason, many children spend longer hours at school, instead of going home where they will have to study by candlelight. Many people choose not to heat their apartments, even in winter, closing several rooms or keeping their houses cold in order to economize on heating. Other restrictive strategies implemented in many poor Latvian households include limiting phone calls to urgent matters, calling from the office instead of from home or cutting off phone service altogether. Oftentimes they pay just a portion of their rent or utility bills, so as to show good faith and prevent eventual eviction or disconnection of services.

As a result of these practices, there has been a process of deterioration in people's homes. This shows in leaking roofs, toilets that no longer flush, blocked drains, gas heaters which smoke and other problems which may be somehow invisible to the naked eye, but are no less real for those affected. And yet, notwithstanding their strenuous efforts to economize, many unsuccessful households have been evicted and resettled in substandard housing, where conditions are often even worse.

- **Drawing from savings and borrowing**

Although poor people's capacity to save is very limited, they do get involved in saving practices when some members of the household have access to regular income. Examples of such practices can be found in the Mexican *tandas*, the *tontines* of West Africa and several other savings schemes that serve as community safety nets for occasional expenses or emergencies. It seems, however, that the poor's capacity to save has been eroded in many countries, as a result of their lack of access to a steady source of income. With very few exceptions, savings are not something poor households can afford, but rather an asset that is being consumed.

Consuming savings and going into debt was commonly observed among households in transition countries. In Mongolia, unemployment, an outcome of labor market liberalization and enterprise rationalization, has led people to cut expenses drastically and even use long-term savings for daily consumption. In Bulgaria, savings as a share of total household income dropped by 70% from 1989 to 1997, at which time 97% of households' income was being devoted to consumption. Also in Latvia, many people lost their life-long savings with the collapse of the Baltija bank, the currency reforms and the hyperinflation of 1992. Unable to afford the rising cost of housing, services and utilities, a large number of families have become indebted by accumulating unpaid rent and bills.

Data from a survey carried out in Indonesia sixteen months after the beginning of the crisis shows that people without regular and productive employment are relying on their savings, as a first step before turning to cutting consumption. Almost 10% of poor urban households had withdrawn savings during the six months prior to the survey. The figure for non-poor households, who have more savings to draw from, was even higher, at 18%. Borrowing money and goods was another common practice, generally from friends and relatives, but also from moneylenders who normally charge exorbitant interest rates. Unsurprisingly, this practice was most common amongst the poor, in both rural and urban areas.

- **Pawning and selling valuables**

The liquidation of household assets and the pawning or sale of jewelry and other valuables are other last-resort actions that households have been forced to take in order to protect their consumption.

The sale of household items was observed among the poor of South Africa and Sudan, where previously acquired wealth was in the process of being consumed in exchange of current income for survival. Poor urban households in Indonesia have also resorted to pawning or selling valuables as a coping mechanism, while in Latvia, a majority among poor households have sold much of their furniture or moved to cheaper, often substandard, housing, in order to pay debts and afford food and other essential expenditures. There is nothing more telling of the current situation faced by poor Latvian people than the empty, dark and unheated apartments in which many of them now live.

- **Home-based subsistence activities**

Income from home production is one of the livelihood sources most subject to management by households. It rises and falls with short-term economic swings. In recent years, households in many countries have reacted to falling incomes by increasing their consumption of goods produced at home. To a certain degree, this strategy has enabled them to protect their consumption levels, by relying on informal production for sale as well as saving on goods that were previously bought in the market. One interesting finding is that this strategy is by no means limited to rural households. Many city-dwellers have moved back to live with relatives in the countryside, and even those who still live in cities are engaging in subsistence activities like backyard gardening and animal raising.

Evidence from Bulgaria, Latvia, Mongolia and Indonesia, among other countries, point to the growing importance of home-based production for own consumption as one critical ingredient in the repertoire of household responses to crisis. In Bulgaria, the share of home production in household income doubled, from 14.1% in 1990 to 27.5% in 1995. The substantial increase in the non-monetary share of household income since the beginning of the reforms was mainly due to the shift households performed to own production. While many farmers who used to produce for local markets have since moved to large towns or cities, a rising number of urban households are now engaged in subsistence activities aimed at producing garments and food for the family's own use.

Another transition country that has experienced a large increase in subsistence production is Latvia. The dismantling of collective farms after independence from the Soviet Union affected agricultural wage laborers severely. Those who were left without a job now perform a variety of wage and self-employed activities. But these multiple jobs do not provide year-round incomes, especially during Latvia's long winters, which has forced them to undertake subsistence work in order to survive. Moreover, as the relative importance of the wage sector in the Latvian economy has declined, the country is witnessing a substantial movement of population away from the urban-based cash economy towards subsistence agriculture. This has taken place especially among the chronic unemployed, many of whom have moved away from the cities where they could not afford the rising costs of living. Still, some subsistence production takes place in urban areas as well. Not only is there a large amount of backyard gardens and pot gardening for food, but also animals are raised in apartments for consumption at home. And whether a family is urban or rural-based, it is frequent for schoolchildren to help their parents with agricultural production during the summer months.

In Indonesia, a country that has gone through a process of rapid urbanization in recent history, the crisis has triggered movements back to agriculture. Contrary to borrowing from others, which seems to be a predominantly urban practice, consuming one's own production is most prevalent among rural households, both among the poor (50.3%) and the better-off (37.1%). Nevertheless, nearly two out of five poor urban households also consume goods produced at home. Likewise, widespread unemployment resulting from economic reforms in Mongolia have led more than 95,000 people to move into herding from other economic sectors during the early nineties, with the purpose of seeking an alternative livelihood. Thus, mounting economic pressures are bringing about a substantial change in the demographic landscape of many countries, whether as a consequence of long-term transition or sudden shock.

- **Marginal and illegal activities**

A varied and disparate number of activities that can best be described as marginal have proliferated as a response to enhanced vulnerability. Sometimes they occur in a context of pseudo-legality or in direct infringement of the law, and are as often an attempt to cope with adversity as an indication of a failure to cope. This does not imply that these activities did not exist before, or that they are exclusive to poor households. They are not. But faced with an increasingly hostile environment, some people have had to resort to

whatever means possible to survive, and often they found them in the interstices of the economy and society.

The heterogeneous mix of activities included in this category range from cheating at work to engaging in production or consumption in the black market, or undertaking illegitimate and even illegal actions. In Bulgaria, the same factors pushing workers towards informality also foster informal consumption in the black market. Unbilled services, undeclared activities and rents, and the hiring of illegal labor for construction and household repairs have become frequent among people trying to avoid sliding into poverty. There is also growing absenteeism in many Bulgarian firms, as a result of people's need to moonlight in second jobs. Petty theft at work for sale in the black economy is on the rise in Latvia. Some poor households, striving to make a living, engage in the illegal production and sale of alcohol, and alcohol abuse has turned into a matter of growing concern.

In Grenada, women who took part in focus groups discussions said they often had no choice but to get involved in prostitution, as selling their bodies was the only option they saw to get money for feeding their children. Findings from participatory assessments in Uganda and South Africa also found that prostitution and the exchange of sexual favors to elderly men or women was frequently practiced by young girls as well as male adolescents. Drug trafficking and stealing were other illegitimate activities often associated with poor youths and street children from these countries.

4. Household determinants of vulnerability

Households are commonly defined as social and economic units consisting of one or more individuals, whether they are relatives or not, who live together and share both the 'pot' and the 'roof', that is, dwelling and food. They can be formed by several conjugal units, and as long as the 'sharing' is accomplished, they are considered households. This 'sharing' is often taken for granted, and therefore it is seldom discussed.

Moreover, most studies of households' strategies under restructuring have emphasized their ability to adapt to worsening employment, goods and services markets by means of increasing effort. In so doing, households have not only been able to survive, but also to retain their basic form of social organization, the family, which itself guarantees the physical and social reproduction of the poor. But this understanding of households and the way they respond to crisis obscures the fact that, beyond a certain point, there are limits both to the adaptive behavior of poor people and to the viability of households as such.

In fact, it would be wrong to assume that changes in the employment arena affect all households, or their members, in the same manner. A closer examination shows there is great variance in the extent to which economic transformation and household restructuring are related with one another. First, households are endowed with different amounts of resources and capabilities, which equip them differently to respond to a constraining environment. Secondly, there are some crucial intervening variables that

affect the way households react to broader economic and social change. These variables are relatively autonomous from external influences and derive, instead, from some intrinsic characteristics of households and how they evolve over time. Their ability to combine resources and convert them into assets will vary according to such factors as household composition and type, household size and headship, the stage of the domestic cycle and others that determine the number of potential contributors to the household economy. The strategies put in place to confront vulnerability, as well as the success with which they are implemented, will be strongly influenced by those factors. Finally, economic crises and restructuring do not have a homogeneous impact on every household member, and significant differences are found based on gender and age.

In reality, households encompass a complex array of relationships involving economic, social, cultural and political aspects of reproduction. They are social units organized not only around a 'shared' house and a 'shared' pot of food, but also around the complex task of generating incomes and managing labor, the most important livelihood ingredient for the poor. Understanding vulnerability, therefore, requires opening up the *household* in order to analyze how resources are generated and used, how they are converted into assets, and how the returns from these assets are distributed among household members. What is needed, in other words, is an approach that combines the microanalysis of households and the macro-analysis of opportunity structures and their transformations.

4.1 Household size and composition

The size of a household, its structure and the availability of income earners are crucial elements of household vulnerability. In general, poverty is more prevalent in large households with few income earners. Findings from the Uganda participatory poverty assessment show a clear association between household size and ease of access to land, work and food. Polygamy, for instance, is frequently linked to failure to meet basic needs. Polygamous families tend to be more prone to disease and to lack preventive health care, mosquito nets, enough food, as well as proper clothing and adequate housing. Large households in Lebanon are also reported to have lower levels of income than the average, while in the Palestinian Occupied Territories, the poverty rate increases consistently with household size, beginning with two-person households. The largest Palestinian households, with ten or more members, have the highest poverty rate (34% in 1997), followed by "loner", single-person households (31%). The poverty depth is also greater in those households.

A similar finding was reported in Latvia, where households generally are very small, with an average of only 2.47 members and a mere 0.52 children per household. Recent data show that poverty ratios in Latvia increase with each additional household member. Thus, households with only one person have the lowest poverty risk (less than 2% are below the poverty line), while almost 20% of the individuals living in households with four or more members are poor. The larger the household, furthermore, the deeper the poverty: poor households have three members on average, compared with only two members in non-poor households. In South Korea, on the other hand, large family size is not associated with low income. On the contrary, poor households in Seoul were smaller than the national average according to data of 1982.

Our review, therefore, provides some evidence of the greater poverty that characterizes large households, but neither the evidence nor the association between the two is always clear. It is evident that a large household with only one provider and many small children is different from a household of the same size, but a larger proportion of adults who are in a position to participate in income-generating activities¹⁵. By the same token, better-off households may be more capable of staying together than poorer ones, which would result in smaller household size among the poor. Thus, variables such as a household's dependency rate, and not size alone, must be taken into account in order to assess the lesser or greater vulnerability of particular households. It is clear that size per se is not the issue, but a combination of several factors among which the availability of household members to generate incomes plays a critical role¹⁶.

4.2 Sex of the household head

Female-headed households have increased almost everywhere as a result of demographic and socioeconomic changes. The conventional wisdom is that they are poorer, more vulnerable and more prone to transmit disadvantage to the next generation than are households headed by men. Especially when the head is a single mother, female-headed households are also the objects of stigma and discrimination in many societies, particularly in those that value the model of the nuclear family with a male breadwinner as the desired norm.

A heated debate has developed in recent years between those who support the idea of a close association between female headship, poverty and vulnerability, and those who see female-headed households as economic and socially viable. Evidence from our country review contributes with fresh data and analysis to this debate, although the absence of definitions and criteria used to classify a household as female-headed makes it difficult to compare findings across countries.

Households headed by women are poorer in Bulgaria, Lebanon, Palestine and South Africa. The poverty rate among South African households with a female head is 60%, compared with 31% for male-headed ones. In Lebanon, the percentage of households below the poverty threshold is 40.3% for those headed by men and 57.7% in the case of households with a female head, while the average for all households is 42.8%. This disparity is due, firstly, to the greater probability of widowhood or divorce in households

¹⁵ Research conducted in Mexico during the economic crisis of the 1980s found that extended households were better suited than nuclear households to implement labor-intensive strategies, especially if they were at a stage in their domestic cycle in which children were able to participate as income earners. Extended households were characterized by greater flexibility and the availability of a greater pool of members devoted to income-earning activities (Selby et al., 1990;González de la Rocha, 1994). Chant (1991) also found that extended households are more conducive to women's participation in the labor market and to higher levels of income.

¹⁶ The report on *Mapping Living Conditions in Lebanon* (1998) made an explicit attempt to take the number of income earners per household as an important variable in the construction of income indices. Among the variables used for an index of income-related indicators were the number of working household members, which permits the computation of the economic dependency rate, together with their main occupations.

with a woman as their head, which implies the loss of a major source of income from the work of the former husband. Secondly, greater poverty among female-headed households can be explained by the lower wages obtained by women in Lebanon, where the mean wage for women is 78% of that earned by men (LL 477,000 and LL 606,000, respectively). Likewise, households headed by women in the Palestinian Occupied Territories constituted about 8% of all Palestinian households in 1997, but 11% of those living in poverty. Predictably, the poverty incidence is much higher among female- than male-headed households (30% versus 22%). When looking at poor households alone, 73% of those with a female head, compared to 63% of those headed by a man, suffer from 'deep poverty', which entails an inability to satisfy their minimum requirements of food, clothing and housing.

By contrast, findings from the Maldives, Sudan, Uganda, Angola, Latvia and Indonesia show that households headed by women are characterized by equal or even higher incomes and consumption levels than their male counterparts. Moreover, female headship is not always the unwanted consequence of male desertion, but often the outcome of women's own desires and decisions, as reported in the Maldives. The presence of children in the household, its structure and composition, and the age of the household head (male or female) have a stronger influence on the probability of being poor than the sex of the head. For instance, Latvian households tend to be poorer if they have children, regardless of whether it is a man or a woman who heads the household. In Bulgaria, household composition is changing due to a secular decline of marriage and birth rates, a rise in the number of abortions, and a growing proportion of elderly in the total population. Dependency rates are rising swiftly, and will probably continue to worsen in the coming years as a result of the country's low marriage and birth rates and the progressive aging of Bulgarian society.

Recent data from Sudan cast doubt on the thesis that female-headed households constitute a homogeneous group that tends to be poorer than male-headed ones. In general, households with a woman head have a smaller number of members and, therefore, are less crowded. They also have a much higher per capita household income than those headed by men, both in urban and rural areas. By contrast, the relative position of both household types is reversed on other indicators of wellbeing in urban areas, where households headed by women have fewer assets and less access to piped water, flush toilets and other amenities. Overall, it appears that whether a household is headed by a man or by a woman has no statistical significance on its level of income.

Gender and age of the household head are major poverty risk factors in Angola. But contrary to the stereotype of the 'feminization of poverty', female headship is relatively more prevalent among better-off households and less prevalent among poor ones than is the case with male-headed ones, while both are equally represented among the extremely poor. On the hand, female-headed households have the highest poverty level and the highest food budget share in the country's rural areas. When examining spending practices among poor and non-poor households, no differences can be found across gender and age of household head.

In turn, results from the Uganda poverty assessment show that, in all the communities that were studied, female-headed households are characterized by higher consumption of food and medical treatments. This observation is in line with the well-documented fact that, when women have control over an independent source of income, they tend to give priority to spending on food and other basic necessities that have a positive impact on family wellbeing. Therefore, even if households headed by men might be richer in income terms (something that is not always supported by the evidence), those that are headed by women appear to be better off in other respects, as a result of their greater emphasis on welfare-enhancing consumption practices.

In conclusion, a review of empirical findings from several countries leads us to conclude that there are no grounds to argue that female-headed households have a greater incidence of poverty or vulnerability than other single-parent or two-parent households.

4.3 The importance of the domestic cycle

Households are not static but very dynamic units. They evolve over time, and are exposed to varying levels of vulnerability as they go through different phases in their domestic cycle. Analyzing the changing nature of the household requires a longitudinal perspective that takes into account the different stages in the developmental process of households. Each of these stages is conducive to particular social arrangements that influence their ability to mobilize their labor and other resources in the face of change.

There is evidence from various country studies that the *expansion* and the *dispersion* stages are critical times for poor households in terms of their exposure to vulnerability. These are the stages in the domestic cycle when the pool of household laborers relative to its dependents is at its lowest, meaning that fewer members are available to generate incomes for the domestic unit¹⁷. This is specially the case of growing numbers of old people in Latvia and Bulgaria, where the state has reduced old-age pensions as well as child benefits following the collapse of communism. Data from Lebanon and the Palestinian Occupied Territories also suggest that households headed by young and old workers – in the early stage or the dispersion years of the domestic cycle – are much more vulnerable to poverty than those whose main providers are between 40 and 54 years old. Similarly, findings from a participatory assessment in South African corroborate that the life-cycle dimension is a key determinant of the movements of households and individuals into and out of poverty.

Other studies document the presence of ‘critical age groups’ such as children, youth and the elderly. In Grenada, for instance, women and children are most severely affected by poverty. But elderly people are also vulnerable and often ignored and neglected by their adult children. Consequently, they often are forced to depend on the charity of friends or the church. Old age is frequently associated with poverty in Uganda as well, particularly

¹⁷ The expansion phase refers to the situation where the domestic unit grows and increases its number of members through the birth of new members. The dispersion phase, in turn, starts when the members of the household begin to separate from the household of origin to form and organize their own units (González de la Rocha, 1994).

in situations where the aged are sick and lack support from relatives. And in Lebanon, the percentage of households below the poverty line is higher among young heads aged 39 years or less, as well as among those between 55-59 years. The number of years during which workers earn higher wages are indeed a few: about ten years of their working lives.

While these figures provide a glimpse of the varying vulnerability associated with the individual lifetime, an analysis of the household cycle and its implications for the household economy and wellbeing is needed in order to understand the dynamic nature of household vulnerability itself.

4.4 Gender relations and household differentiation

Changes in opportunity structures have had a great impact in the household economy. As we have seen, households have responded by adopting a range of coping and restrictive practices aimed at maintaining their current income and preventing sharp declines in consumption and wellbeing.

But economic change has produced transformations at the household level itself. These transformations have not affected every member in the same manner. And as long as households are treated as a 'black box' and it is assumed that resources and capabilities are distributed equitably across its members, we shall fail to understand the real impact of economic change on poverty and vulnerability.

It is of course possible to consider the household as providing a 'melting pot' in which differences among its members melt away. If this were the case, then household dynamics could have a moderating influence on the conditions that, for example, women face in labor markets (lower wages and income, unemployment and discrimination at work). But if the household itself were a locus of inequality, then intra-household relations would add another layer of inequality to that created by markets. Social inequality would thus be heightened, not reduced. It is therefore important to 'open up' the household and examine its internal dynamics and social organization as well as the differential impact of economic change on its members.

Households can best be conceptualized as a site of not only cooperation, but also of conflict, negotiation and non-democratic decision making. They often constitute an arena of confronting interests and unequal burdens and access to resources, in which women, children, youths and the elderly are in the weakest position.

In fact, household restructuring and adjustment have implied unequal burdens and costs, along the lines of gender and age. In many countries, women appear as paying the highest cost of household transformation. They are working more and harder, without any significant positive changes in their status within the household. Angola is an example of women's increasing role as breadwinners during economic crises. In terms of their contributions to the household economy, poor women are now on an equal footing with men, and yet they continue to bear the burden of household chores assisted only by their children. Data from time-budget studies in urban Angola show women have longer working days as a result of their double role as breadwinners and housewives. The same

data show that men are not contributing to household chores to the same extent that women have become breadwinners. Collecting firewood, for instance, is borne mostly by women, who do three-fifths of the work. Collecting water also consumes many hours of women's time, and although men are doing more shopping than in the past, they still seldom partake in other domestic tasks.

Similarly, data from Mongolia provide evidence of women's double burden as an outcome of transition. In the past, the state supported women in their childbearing and child-rearing functions through the provision of generous benefits. The benefits were largely withdrawn during the early 1990s, as a result of which the number of day-care facilities dropped from 441 in 1990 to 71 in 1996. In spite of this, women's perceived roles as 'care givers' in the household continues, and hence many now face a 'double burden' encompassing their responsibilities both in and out of the household. For many women, these double burdens create role conflicts, which then translate into lower career mobility as women attempt to balance the different demands placed on them. Far from gaining some control over their lives, women therefore seem to face greater conflicts as they gain a footing in the productive sphere without being able to dispense of some of their traditional domestic responsibilities.

In other countries, too, women's participation in wage employment and other income-generation activities has not produced equality in gender relations. In Uganda, for example, women perform as much as 50% of the work involved in cotton production, but they do not control the money they earn and participate very little in the process of decision making at the household or community level. Only men are involved in the transport business, in which women are not allowed. When a woman owns a motor bike or a bicycle, she has to hire a man to run it. The marketing of produce is also mostly a male domain. Women can only participate with their husbands' permission, and if they do, they are only allowed to handle very small quantities of goods. Even then, women are expected to declare the outcomes of their transactions, as well as account for the money they spend for household consumption. Wives may be entrusted with money to keep, but have no right to spend it unless their husbands permit them to do so.

Differential access to resources and discrimination against women and girls are common in many countries. Reluctance on the part of husbands was among the main reasons given by both men and women to explain the low female labor force participation rate in the Maldives. Ironically, men's control over women's lives seems to be an obstacle for the mobilization of some key household resources, such as women's work. Stunting and wasting are especially prevalent among girls, partly due to the high incidence of infections and the acute anemia suffered by many mothers. Boys are likewise said to be more valued than girls in Uganda, where families prefer to keep boys at school if they cannot send all their children. Women who took part in the participatory poverty assessment carried out in that country reported they felt they were "at the mercy of their men" and had "no voice even when the man is misusing the money". They also stated that their husbands beat them for attending meetings, and prevent them from using family planning services because they do not approve such practices. Women's heavy workload, together with lack of ownership and limited access to land and other valuable resources,

makes them not only poorer, but also more vulnerable to face hardship and economic crises. In both rural and urban areas of Uganda, men control the most important household assets, including land, livestock, housing, TV sets, radios and vehicles. Perhaps the clearest indication of women's subordinate position in the household is the fact that, upon a husband's death, widows are bequeathed to their husband's brother together with all their household assets.

At the same time that women are increasing their contribution as breadwinners, poverty and insecurity at work seem to be eroding men's traditional role as the family's main provider. Nevertheless, the resilience of patriarchal systems of authority has prevented this changing role of men and women in the productive sphere from translating into more equitable gender relations within the household. On the contrary, the maintenance of patriarchal norms and values is leading to severe strains among the sexes as well as feelings of inadequacy on the part of men. According to qualitative data from Uganda, being poor has severely eroded men's self-esteem and "undermined their manhood". It affects their ability to provide for their families and makes them feel inferior, ashamed and angry. Out of frustration, many men are said to resort to drugs, crime and violence. Also in Grenada, lack of self-esteem and feelings of inferiority, shame, stress and frustration are associated with long-term unemployment. These feelings are leading people, especially men, to become engaged in illegal activities to get money to support their families. Consequently, increased violence, crime and prostitution, as well as the deterioration and breakdown of family life are reported as outcomes of job insecurity and lack of economic options.

As a rule, gender identities appear to be extremely resilient, even in the face of rapid change. Interestingly, this resilience may in some cases serve as a buffer against extreme hardship, while in others it may constitute a serious handicap. The most interesting data come from Latvia, where unremitting economic pressure has led to pervasive feelings of depression, ranging from mild apathy, constant insomnia and worry to an obsession with suicide. However, women reported their concern for their children has kept them going and prevented them from even considering the possibility of committing suicide which, together with drug and alcohol abuse, are much more prevalent among men, whose identity seems to depend heavily on their ability to earn money.

This leads to a very interesting, and thus far largely unexplored, area of inquiry. More studies are needed in order to advance our knowledge of masculinity and the impact of economic change on men's lives. Filling the gaps in our knowledge about men is critical to improve our understanding of processes of social transformation in a more gender-balanced, as opposed to women-sensitive, manner.

5. The limits of coping: Reciprocity networks in crisis?

The significance of what some authors call 'social capital' has been increasingly recognized in recent years. In fact, networks of friends, relatives and neighbors are a vital mechanism of support among the poor. Their relevance lies not only in the fact that they enable people to pool resources and services in a mutually beneficial arrangement, for

example by encouraging economies of scale in purchasing or cooking, or the voluntary exchange of labor for harvesting and housing. Kin and friendship networks also provide an essential buffer for the poor, allowing them to borrow from neighbors or move in with relatives in times of need. For these reasons, social bonds and networks based on principles of trust, reciprocity and mutual help are one of the most important ways in which the poor rely on each other on a daily basis to cope with poverty.

Box 5: The centrality of social networks for people's livelihoods

Kinship ties and community networks based on social exchange and solidarity constitute indispensable resources for poor households. They not only allow for the pooling of resources and services that make people's undertakings more efficient or productive, but also provide them with a crucial buffer during emergencies and crises.

The centrality of social networks for people's livelihoods is underscored by evidence drawn from qualitative assessments carried out in many countries. By and large, these assessments indicate that people attach great value and importance to social networks, which they consider to be a critical ingredient of wellbeing. In Mongolia, for example, herder households ranked as poorest and richest were those that had the weakest and strongest social bonds in their communities. The poorest tended to be socially isolated and have few social contacts, while better-off households were able to maintain a dense web of profitable social connections. In Maldives, the extended-family system has traditionally been an important source of assistance and sustenance, and its progressive replacement with the nuclear family seems to be one of the main causes behind the increasing hardships faced by many families in the poorest atolls. In Uganda, too, a poor person is said to be one who, among other things, lacks social support. The presence or absence of networks was one of the dimensions used by villagers in ranking households in terms of their wellbeing. Both in the Kisoro and Kalangala districts, people associated poverty with reduced cooperation in the family, increased social isolation and a process of "every one caring for oneself". Isolation and the absence of social support and contacts, in particular, were seen as clear manifestations of poverty.

Poor households rely on social networks for the mutual exchange of goods, services and money. Sociological, anthropological and ethnographic research has provided many valuable insights into how these systems operate. In Grenada, for instance, the concept and practice of self-help are alive and permeate every corner of society through the *marron* system, a social arrangement through which people share their time and labor to help one another with house repairs, planting or reaping of crops. Friendship networks also cooperate in the mutual provision of assistance and support in difficult times. Sharing is done on a daily basis and involves even the menial exchange of food, water and groceries¹⁸. Papua New Guinea provides another interesting example of an informal arrangement that, as in Grenada, has achieved a fair degree of institutionalization. It is known as the *wantok* system, and is based on kinship ties and relationships among people from the same language group, who engage in various forms of social exchange that are sanctioned by the community. Not only does the *wantok* system constitute a crucial ingredient of rural livelihoods, but it also links together rural and urban areas through an

¹⁸ It is not clear, however, whether the *marron* system operates only among *equals* or also among people from different social strata. Social equality often appears as a necessary ingredient for reciprocity and mutual help.

elaborate system of reciprocal obligations binding together people from rural backgrounds and those who have already moved to towns and cities.

Examples of the importance of reciprocity networks are documented in several other places, from rural Uganda, where many households derive most of their livelihood from close relatives, friends and churches, to Latvia, where a majority of people are engaged in the exchange of goods and services with other households¹⁹. In Palestine, also, people lacking old-age security rely instead on support from family members, without which they would not be able to manage.

Nevertheless, recognizing the centrality of social networks and mutual support for the survival of the poor should not detract our attention from the fact that the 'community' aspects of survival are limited. Networks and mutual help are not endless resources. Findings from several countries suggest that rising poverty as a result of sudden shocks or protracted crisis has serious implications for the capacity of poor people to nurture and maintain networks of social exchange. Under conditions of extreme hardship, reciprocity may indeed cease to be possible. The growing pressure on kinship and neighborhood ties could lead to the erosion and eventual exhaustion of the relationships of mutual help, solidarity and social exchange that constitute a critical safety net for poor households. This, in turn, could result in increasing social isolation, a phenomenon that has received little attention from social scientists despite the fact that it appears to be an important outcome of poverty²⁰.

Findings from the Uganda poverty assessment confirm that the traditional safety nets of mutual assistance and social support are coming under strain due to worsening standards of living, constraining the would-be providers and breadwinners. The *wantok* system in Papua New Guinea is also showing some fissures as a result of growing stress. According to the *wantok* system of reciprocal obligations, when rural people move to urban areas, their urban wantoks have a responsibility to support them. But the magnitude of wantok obligations is growing to such extent that the system is beginning to show signs of breakdown, as some urban households are unable to meet all of their duties and, therefore, are withholding support to members from their own lineage. In Latvia and other Baltic states, people accustomed to depend on social networks have had to curtail their socializing, as poverty has reduced their ability to maintain those networks at the same time that the need for them has increased. As people become more isolated, they cut themselves off from the sources of information and assistance that could help them overcome their problems²¹.

¹⁹ Some poor households in Uganda, especially if they are female-headed and lack support from an estranged husband or his family, draw as much as 70% of their livelihood from relatives and friends. In Latvia, it is estimated that over 30% of the households in the richest quintile of the income distribution give cash, goods or services to other households, while over 50% of all Latvian households are reported to rely on networks of mutual help for short-term emergencies or long-term crises.

²⁰ If one recognizes the multifaceted nature of poverty, then the social and psychological effects of deprivation would be as important as its material aspects. In such case, the curbing of social interactions and the resulting isolation could be considered as one more layer of deprivation affecting poor people.

²¹ While many Latvians reported considerable help from family members and relatives living apart, as well as from neighbors and friends, they also complained that social relations have suffered greatly as a result of

Unsurprisingly, people without family and neighborhood support networks face greater day-to-day difficulties in obtaining their livelihood. Isolated households are found to be more prone to poverty than those that can count on supportive social networks, which clearly indicates the latter's importance for household well being. Old age and widowhood, for example, are frequently associated with poverty, particularly when combined with lack of support from relatives. Left-behind families headed by women are also strongly represented among the poor, especially when remittances from a husband or male relative are low or uncertain. In Maldives, one of the countries with the highest divorce rates in the world, women face great economic hardship for caring for their children, since many men, although legally mandated, fail to provide for their family's sustenance. The progressive replacement of the extended-family system with the nuclear family in the Maldives seems to be one of the main causes behind women's increasing financial hardships.

The mounting pressure on households is sometimes leading to the premature separation of family members, as in the case of Uganda where girls are forced to marry at a young age for a 'bride price' that can sustain the aging parents and the family, particularly in times of need. Migration in search of work, which is a common practice among poor people in many countries, may also lead to the gradual disintegration of family ties. In South Africa, poverty has been linked with the fragmentation of family relationships and alienation from the community. Social cohesion has been severely affected by forced displacements of poor communities, which have destroyed their support networks. Increasing violence and crime have further contributed to the spread of fear and mistrust, undermining cooperation and solidarity in the poorest communities, which ironically are the ones that need them most. Evidence of a deterioration of family life, domestic violence and separation or divorce is also found among poor households in other countries, together with a growing incidence alcoholism, drug abuse and suicide²².

It is interesting to note that supportive social networks are often present in households where children are employed or work abroad and send remittances to their family of origin, whereas social isolation develops in situations where regular employment is absent. But the reduction in the intensity of social bonds is not only associated with unemployment and insecurity of livelihoods. It also appears when people are burdened with an excessive workload, which limits their time for social interaction. This is the case, for instance, of Mongolian women who, after the closure of publicly provided day-

the economic changes following the collapse of communism. People cannot afford to entertain guests or buy gifts for friends. Hence, they often have to reduce their social interactions with all but their closest relatives, which is causing them much pain and anxiety.

²² Drinking is a major problem in Latvia, where it is considered both a cause and a consequence of long-term unemployment and poverty. Chronic unemployment is reported to have significant consequences for the persons involved, who become apathetic, depressed and prone to abuse alcohol in their search to escape from the stark reality of their lives. Alcohol abuse is also common among poor men in Uganda, while Bhangi smoking has become popular among youths in the slum settlements of Kampala. Unable to find profitable work, they resort to Bhangi smoking, which helps them sleep and forget their problems.

care centers in the early 1990s, are forced to accommodate both the demands of a job and their child-rearing responsibilities²³.

As a result of curtailing social relations, nuclear households have emerged in some countries as people's only shelter and, at times, the only group that 'can be trusted'. In-depth interviews conducted in Latvia show that either families disintegrate under stress or they become more united, although in some cases the decision to remain together is simply forced by scarcity. This is the case of many women with children, who stay in with a husband because they understand they will face greater distress on their own, taking care of small children and working at the same time. The erosion of networks and the resulting atomization and, sometimes, disintegration of nuclear households have contributed to feelings of depression, unhappiness and low self-esteem.

This shows that poverty and social isolation are closely related. Emphasis on the agency of the poor must not ignore the fact that conditions of severe stress may put the resilience and adaptability of poor households to a strenuous test. The 'protective' nature of family relations and the cushioning effect of social networks cannot be seen as infinitely elastic. They have definite limits, and may erode to the point of exhaustion if stretched beyond those limits.

6. Conclusions

Household-focused research has made critical contributions to our knowledge of the impact of economic and societal change on people's daily lives, and of the ways in which they organize themselves to cope with adversity. It has thus improved our understanding of the processes leading to vulnerability and the strategies deployed by poor households to keep it at bay.

Households are, in fact, very sensitive to economic and social change. Their social organization is intimately affected by trends in the labor market, given the centrality of labor, including wage employment, for the survival of the poor. As a result, policies that impinge on the dynamics of the wage labor market are a major determinant of household wellbeing. In order to comprehend the changing nature of vulnerability, we need to look simultaneously at the *micro* reality of households and the broader changes taking place at the *macro* and *meso* institutional levels.

This paper has provided ample evidence there is a process of shrinking opportunities for the poor. This process is characterized by a decline of wage employment and growing difficulties for poor households to mobilize labor as an asset. This has major implications

²³ Changes in the intensity of social relations also seem to be related to changing work patterns and organization for production. In Mongolia before the transition, socialist collectives offered considerable opportunities for social interaction. Job security resulted in employment within the same organization for long periods of time. These elements disappeared from the life of the Mongolian people after the transition, and increased costs of travel have helped to weaken the ties between rural and urban members of family networks as people are no longer able to afford a visit to relatives as often as in the past. It is precisely the unemployed and the poor who possess the fewest social contacts in present-day Mongolia.

for the economy and social organization of poor households, affecting their patterns of division of labor as well as their income-generating strategies.

Poor households are striving to cope with these changes in the world of work by modifying their own work strategies, sending more of their members into the workforce as well as engaging in a range of cash and subsistence activities. Women's contributions to the household economy become increasingly important, as men's capacity to generate a sufficient income erodes. To compensate for this loss, household members who were already performing economic activities work longer hours and harder, often in precarious and low-paid jobs, and additional members, including children, join in as household income earners. As a result of this, the relative weight of informal work in the household economy tends to rise, and so does the share of goods that are produced and consumed at home.

Work intensification strategies are often supplemented by other domestic responses aimed at shifting consumption and reducing total household expenditures. These responses take place especially when the mobilization of additional household labor fails to protect family wellbeing or forestall vulnerability. In fact, shifting and cutting consumption are a clear sign of vulnerability. People cut their consumption when strategies to stretch or increase household resources are no longer effective. Reducing food intake, in particular, is a last-resort measure that is practiced when no other options are available. If restrictive mechanisms go beyond expenditure minimizing to include the liquidation of household property and savings, this provides still another indication that households are failing to cope successfully. When this occurs, households reduce their total resource endowment, both their personal resources (less food, less education, less health care) and their productive ones (cattle, land or housing).

This points to an important finding of this paper. The much-heralded resilience of the poor has its limits. We need to question analytical models based on the assumption that the poor can always adapt to changing conditions and still survive. Emphasis on the agency of the poor should not make us oblivious to the fact that the actions implemented by the poor to secure a livelihood take place in a context of structural constraints, and under certain conditions these constraints can be overbearing. When economic conditions deteriorate to the point where ordinary people lose the ability to earn adequate incomes, they are left without a major source of livelihood, which has a great impact on every dimension of their lives. Although they turn to subsistence production, self-provisioning, independent work and petty-commodity production for sale as alternative income sources, wages obtained in labor markets cannot be substituted. Households are thus forced to make costly 'private adjustments', with potentially serious implications for their wellbeing and sustainable reproduction.

There are some crucial variables that affect the way households react to economic and social change. Their composition and structure, the stage of their domestic cycle, and the number of potential contributors to the household economy have a major bearing on the amount and type of resources available to them and the process of converting those resources into assets. We also need to see households not as static social units, but rather as highly dynamic processes that evolve and change over time.

This explains why changes in opportunity structures do not affect all households in the same manner. Differentials in the participation of household members in the labor market, which in turn are influenced by the stage of the household's domestic cycle, its size and the gender of its head, have a major influence on their capacity to mobilize resources in the face of adversity. These factors are conducive to different household scenarios, which equip them less or more effectively to withstand change.

At the same time, household restructuring typically carries unequal burdens to its members, and significant differences can be found according to gender and age. The accumulated evidence suggests that women, in particular, have endured a heavy share of the social cost produced by adjustment and change. They have increased considerably their participation in the labor force and become important contributors to the household economy, often as the main breadwinners. This, however, has not improved their position within the household, where they continue to play a subordinate role. Domestic burdens have also risen, as households often become more crowded and its members have to devote more time and effort to self-provisioning than before.

It is important, therefore, to 'open up' the household in order to analyze how resources and opportunities are distributed among its members, and the consequences this has on the coexistence of different levels of wellbeing within a single household. We need to treat households not as a 'black box', but rather as a locus of "cooperative conflict" characterized as much by cooperation as by competing interests and unequal access to rights, resources and obligations.

The household and the immediate family constitute an essential mechanism for the survival and reproduction of the poor. Yet, current economic and social conditions are not conducive to strengthening the social organization of poor households that has provided the social basis for their livelihood. Falling incomes and rising poverty are also eroding the capacity of poor people to be part of social networks of support, leaving them unable to engage in and maintain social exchange. By cutting people off from vital sources of support, social isolation, a critical but often neglected outcome of poverty, makes them even more vulnerable to adverse shocks and crises. Thus, a process of cumulative disadvantages may set on, which could further impair the ability of the poor to recover and climb out of their predicament.

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